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Revised Attachment 4.19-B Page 20.1

## Methods and Standards for Establishing Payment Rates - Other Types of Care

## I. Drugs

## A. Reimbursement

- 1. Participating pharmacies are reimbursed for the cost of the drug plus a dispensing fee. Payments shall not exceed the upper limits specified in 42 CFR 447.331 through 447.334.
- 2. Participating dispensing physicians are reimbursed for the cost of the drug only.
- 3. Providers will be reimbursed only for drugs supplied from pharmaceutical manufacturers who have signed a rebate agreement.
- B. Payment Limits Payment for the cost of drugs shall be the lesser of:
  - 1. The Federal Maximum Allowable Cost (FMAC) of the drug for multiple source drugs other than those brand name drugs for which a prescriber has certified in writing as "brand medically necessary" or "brand Necessary";
  - 2. The State Maximum Allowable Cost (SMAC) as described in Section C. below if a FMAC is unavailable;
  - The Estimated Acquisition Cost (EAC) of the drug that has been established by the Department to be equal to the average wholesale price (AWP) minus twelve (12) percent; or
  - 4. The provider's usual and customary charge.

## State Maximum Allowable Cost (SMAC)

The SMAC will be based on the lowest price for an individual drug multiplied by 150%. The lowest price for a drug will be obtained from a nationally recognized comprehensive data file maintained by a vendor under contract with the Department.

TN No. <u>03-009</u> Supersedes TN No. 02-04

Approval Date: 7/21/03 Effective Date: 4/01/03